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EXECUTIVE COMMITTEE MEETING

THE TOBACCO INSTITUTE

REMARKS BY

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INITIATIVES

. To be handled first from other text.

GENERAL

- . It's a bit premature to say that "things are great in '88," but there have been several encouraging developments this year that illustrate how our coordinated efforts can pay solid legislative dividends.
- . At this time I'd like to take you through a summary of what's transpired so far in 1988 and what we see on the horizon. Let's begin with the smoking restriction issue.

SMOKING RESTRICTIONS

STATES

- . To date, bills to ban or restrict smoking have been proposed in 38 states. Thus far, none has passed and we have defeated bills in 11 states:

... Georgia (w)... Idaho (w)... Indiana (w)... Maine...
Mississippi... New Hampshire (w)... South Dakota...
Virginia (w)... Washington (w)... West Virginia (w)...
Wyoming (w)... [and a Maryland measure was weakened to a great degree, workplace language was removed.]

... Of those states where measures have been defeated, eight contained workplace restriction language...of the 27 states with pending restriction bills, 16 contain workplace language. Key among those states are:

... Arizona... Colorado... Florida... Illinois...
Massachusetts... Minnesota... Missouri... New York... Ohio...
Pennsylvania... Wisconsin...

LOCALITIES

. Locally, we continue to face numerous and difficult challenges on the smoking restriction front. As you know, we are often successful in delaying and weakening local measures, but it is tough to obtain what I would call a final "kill" locally.

... Thus far, measures to restrict smoking have been proposed in 110 communities...some localities are considering more than one ordinance.

... To date, 22 localities have adopted restrictions, two have defeated measures and the rest are pending or delayed through our activity.

... While most of this local activity remains centered in the predictable states -- California... Colorado... Illinois...

Ohio... Pennsylvania... Texas... we have seen the restriction issue take root in some traditional tobaccoland communities.

... We've defeated bills this year in Nashville and Sumter, South Carolina. However, Raleigh, Durham and several other North Carolina and Virginia localities are looking into the smoking restriction issue...as a rule, the bills under consideration are not -- in themselves -- particularly onerous. The simple fact that measures are being reviewed, however, has caused us to devote substantial effort to these events.

- . Other key communities still considering restriction measures include San Diego County; Des Moines; Chicago and Rockford, IL; Indianapolis; Columbus, OH; Erie, Harrisburg and Philadelphia, PA; Knoxville, TN.

RESTRICTION EVENTS OF INTEREST IN 1988

- . As I mentioned, there have been several developments of interest thus far in 1988. For example:

- . MTA and Connecticut commuter trains...

... Thanks to Connecticut commuters who actively and vocally expressed their dissatisfaction, Connecticut state lawmakers are considering adding a smoking car to those trains when

they cross the border into Connecticut. As you know, smoking was banned on the transit system late last year.

... From our point of view, the most significant thing is that the issue has been couched not as a smoking issue, but as one of states' rights. That enabled us to obtain a committee vote of 22-0 in favor of adding a smoking car.

... Ultimately, we may or may not prevail on this issue, but we have succeeded in activating a loud smokers' constituency and taken the focus off tobacco and put it on "rights."

. New York City and return of smoking regulations

... New York City Health Commissioner Stephen Joseph must be wondering what hit him. After submitting for review smoking regulations that clearly went past the letter and spirit of the New York City ordinance, he was forced to withdraw his trumped up regulations for reconsideration.

... Key New York citizens voiced opposition to the regulations, and even chief proponents of the restriction bill cried foul when they saw the Commissioner's regulations. We continue to work for the most reasonable regulations possible.

. Lack of local activity in Massachusetts

... In past years, it was not unusual to see dozens of towns in Massachusetts reviewing restriction measures...this year only a handful are considering such ordinances.

... This is due in large measure to (1) the aggressive posture we've taken for several months in Waltham, (2) a preemptive foray into eastern Massachusetts to educate lawmakers on ETS and general indoor air quality, and (3) a campaign just underway to attempt to rollback restaurant restrictions in certain key localities.

... Our work in Massachusetts -- while not rendering the anti-punchless -- has helped us seize the initiative and put them on the defensive. We are exploring ways to export this strategy to other key areas where we normally face a maelstrom of local anti-smoking activity.

. Washington hospital amendments

... This year in Washington state, we defeated every anti-tobacco proposal under review. Of particular interest was our work with one relatively minor measure...a bill that would have banned the use of tobacco in hospitals.

... The measure originally had the full support of hospital administrators and the medical community. With the assistance of Gray Robertson's ACVA Atlantic and Covington &

Burling, we drafted an amendment to the bill that would have required hospitals to meet rigid and specific ventilation standards in every operating theater, intensive care unit and other hospital areas.

... To illustrate the need for such standards, the committee reviewing the measure was shown a copy of our ACVA video, shortened to show just how serious the ventilation problem can be in hospitals.

... At this turn of events, hospital officials became unglued and openly broke with the medical community, dropping support for the measure and ensuring its defeat. This work should help us in the future as we continue to expand the general knowledge of the sick building syndrome and oppose more significant anti-smoking legislation in Washington.

. Oklahoma House Chamber building study

... Along the same lines, we initiated a study -- completed late last month -- of the Oklahoma House Chamber. The House had under consideration a move to ban smoking in that chamber.

... The study -- again by Gray Robertson's ACVA -- showed dramatically that while there was no need to ban smoking, the House chamber was in great need of a thorough look into a

potentially serious asbestos problem...this is not an expensive proposition for the House to clean up, but it should help refocus lawmakers thoughts on just what is -- and what is not -- an important indoor air problem.

... ACVA's team opened fresh air intakes that had been sealed for decades and largely fixed the House's problems during their initial inspection.

... The study has accomplished several things for us: (1) it has shown there is no need to ban smoking in the chamber, (2) it has increased lawmakers' knowledge of the general problem of indoor air quality and the minor role played by ETS, and (3) therefore, when lawmakers there next consider restrictions, they will be armed with the facts about indoor air pollution.

... Our legislative counsel is meeting with the Oklahoma speaker this week to discuss this study and how it should best be distributed to the various audiences.

Labor contacts

... Generally, the clean indoor air/ventilation approach works best when presented by allies within the labor community, and we continue to work with unions in this area. Our labor efforts have been significant in New England and

they have the potential to assist us in Minnesota.

... We are in the process of reviewing labor consultants for a few key states around the entire northern sector.

... This is no silver bullet and we are currently examining all aspects of this labor/ventilation program to see how to improve results.

. Beverly Hills

... Our experience with Beverly Hills and ventilation during the last several months will be instructive in future endeavors of this sort.

... With the investment of much time and expense, we have managed to convince th council to rollback the ban and go for a 50/50 split in restaurants.

... At the conclusion of this exercise, we will draft -- under the name of the Beverly Hills Restaurant Association -- a brochure for other restaurateurs pointing to the "horror stories" inherent with this sort of draconian legislation.

SALES RESTRICTIONS (VENDING)

- . This year we have seen an unprecedented number of bills to ban or restrict the sale of cigarettes through vending outlets. We have worked closely with the vending community to try to offset this trend in sales restrictions.

... One state, Wisconsin, has passed a bill that requires vending machines to be at least 500 feet from schools.

... Similar or more severe restrictions have been defeated in Georgia, Vermont, Washington and West Virginia. We remain mindful of the pending bills in Alaska, Iowa, Massachusetts, Minnesota and New York, among other locations.

TAXES

STATES

- . Thus far in 1988, cigarette tax increases have been proposed in 25 states...increases have been defeated in seven states:

...Hawaii (unspecified)... New Hampshire (one-cent)... New Mexico (3,5 cents)... Washington (substitute ad val)... West Virginia (5 cents)... Wisconsin (1,2,3,5,6 cents--still has tax possibilities)... Wyoming (12 cents)...

...Iowa passed an 8-cent hike, 3-cents of which is supposed

to sunset on July 1, 1989...initial proposals to hike the tax 10 or 12 cents were defeated in Iowa.

... Apart from the initiative states, Illinois, Wisconsin, Minnesota, Rhode Island, Nebraska and Arizona continue to receive especially close tax scrutiny.

. OTP taxes

... OTP taxes have been proposed in 18 states...thus far, we have stopped such increases in six states:

... Hawaii... Missouri... South Dakota... Washington... West Virginia... Wisconsin...

Iowa increased its rate and we continue to follow these tax measures in 11 other states, including Illinois, Massachusetts, New York.

. Locally -- Evanston

... 13 cities have proposed excise increases...one small Alabama town has increased its tax, while towns in Virginia, Ohio and Missouri have rejected tax hikes.

... One of the most interesting events this year was the reduction in the tax rate this month in Evanston, IL. The

rate dropped from 15 to 10 cents per pack.

... In Evanston, the bootlegging argument hit town lawmakers in the pocketbook. It was clear that Evanston smokers were going elsewhere to purchase tobacco products and causing a drain on the local economy. This rollback was a long-term industry effort and one we hope to export to other locations.

SAMPLING BANS/AD RESTRICTIONS

STATE & LOCAL

- . Four of the 14 proposals to ban sampling have been defeated. The states: Kansas, Washington, Vermont, Wisconsin.
- . Measures are pending in such key areas as California, Hawaii, Florida, Massachusetts, New York and even Tennessee.
- . There is a Massachusetts measure of particular interest...it would regulate sampling practices but pre-empt local sampling bans.
- . Tobacco advertising bans have been defeated in three states and are pending in seven others, including California, Massachusetts, Michigan, Minnesota, New York and Ohio.

MBTA

. Clearly, the most intriguing work this year on the advertising front comes to us from Massachusetts and the Boston area MBTA. As you recall, tobacco advertising was banned from transit facilities last year.

... This year, we have worked to change that situation in a roundabout manner. We have offered a measure that requires that the MBTA to maximize advertising revenues from all legal sources and channel those funds to help the elderly and handicapped. This "white hat" proposal would supercede the ban on tobacco advertising and, in theory at least, require the MBTA to use all legal sources for this worthwhile project... *including tobacco advertising*

... We will keep you apprised of developments.

FIRE SAFETY

. After a state respite during the federal study, the fire-safe issue has returned full-force to the states.

. Just this week (update MN situation)

. At this time, the issue appears under some degree of control

in California, Massachusetts and New York, but we continue to follow every signal on this issue very closely.

CONCLUSION

- . We will not win every battle on every issue for the remainder of the year. We will, however, continue to work vigorously to achieve the best results possible for your companies...to keep your markets open.

- . Through solid staff work and prudent use of your generous resources, I think 1988 can be a successful legislative year for the industry in the states.

- . I would be happy to respond to any questions.